Regular Meeting of the Executive & Audit Committee
October 25, 2018
Room 2002
OSU Portland Center
Portland, Oregon

MINUTES

Committee Members Present: Rani Borkar (chair), Darry Callahan, Paul Kelly, Ed Ray (ex officio), and Kirk Schueler (vice chair)

Other Trustees Present: Mike Bailey, Mark Baldwin, Michele Longo Eder, Julie Manning, Angel Mandujano-Guavara, and Mike Thorne

University Staff Present: Ron Adams, Charlene Alexander, Jennifer Almquist, Susan Capalbo, Steve Clark, Debbie Colbert, Ed Feser, Becca Gose, Mike Green, Lauren Skousen, and Patti Snopkowski

1. Call to Order/Roll/Declaration of a Quorum
   Committee Chair Rani Borkar called the meeting to order at 8:04 a.m., asked the assistant board secretary to call the roll, and noted a quorum.

2. Consent Agenda
   a. Minutes of the May 31, 2018 Executive & Audit Committee Meeting
      A motion was made and seconded to approve the minutes of the May 31, 2018, Executive & Audit Committee meeting. The motion carried.

3. Action Items
   a. Office of Audit Services Organizational and Charter Changes
      Borkar asked Provost and Executive Vice President Ed Feser and Chief Audit Executive Patti Snopkowski to present this item. Feser began by describing the proposed realignment of the audit, compliance, and risk functions under one unit titled the Office of Audit, Risk, and Compliance (OARC). He said the Office of Audit Services (OAS), the Office of University Compliance, and the Office of General Counsel have worked together over the past four years to help address and manage key risk areas. A recent leadership transition in the Office of University Compliance presented an opportunity to consider the organizational structure and opportunities to better promote synergy and communication between the audit and compliance functions. Feser said the proposed realignment was consistent with national trends and cost neutral, and it would provide greater clarity to members of the university community regarding the roles and functions of audit, compliance, and risk.

      Snopkowski said that the Executive & Audit Committee charter, which was established in accordance with professional auditing standards, requires the Committee to approve the internal audit charter and confirm the Office of Audit Services’ organizational independence. She then provided an overview of the proposed changes to the OAS Charter in TAB B, Attachment 1. This includes changes to the name of the office and title of the executive and a modification of
the mission to include risk management and compliance. She noted that the authority remains the same, with the chief audit, risk, and compliance executive reporting administratively to the president and functionally to the Executive & Audit Committee. Snopkowski also described the changes in the responsibility of the office, which include an expansion of consulting services to include enterprise risk and compliance matters. A new director of compliance will perform the compliance-related activities. Snopkowski concluded by stating that the proposed changes align with professional and independence standards.

During the discussion, Trustee Darry Callahan asked about the possibility for conflicts of interest. Snopkowski said the director of compliance would not audit any of the compliance functions. Trustee Paul Kelly asked for more information about the national trend to align functions, and Feser said the way organizations approach audit, compliance, and risk management is evolving. While alignment of the functions is a newer model within higher education, a number of peer institutions have moved to this organizational structure. Snopkowski added that it is a model that has also been adopted across other industries, including healthcare. Vice Chair Kirk Schueler asked about the distinction between responsibilities related to risk management. Snopkowski said the OARC would be responsible for creating and maintaining a framework for enterprise risk but would not supervise the enterprise risk services department that administers the university insurance programs. She described the role of the OARC in identifying, assessing, and managing enterprise risk and in facilitating the enterprise risk management program. While this had previously been part of her work and the work of the OAS, Snopkowski said explicit responsibility for risk management had not been included in the charter. She added that nationally recognized auditing standards require annual conversations about the authority and responsibilities defined in the office’s charter. In response to a question from Borkar, Snopkowski confirmed that the delineation of roles and responsibilities related to risk management had now been clarified and communicated with the appropriate partners. In response to a question from Trustee Mark Baldwin, Feser said communication about the organizational and charter changes would include clarification about where to direct concerns about risk management policies and processes. A motion was made and seconded to approve the changes to the Office of Audit Services charter as provided in Attachment 1. The motion carried.

b. Board Chair's Report: FY2018 Presidential Assessment
Borkar summarized the process for the Board’s presidential performance assessment and thanked trustees for providing input on the president’s accomplishments in the previous year and goals for the upcoming year. She also thanked Callahan for his assistance in gathering input from a subset of the president’s direct reports and university partners. Borkar reported that she and President Ed Ray had met to discuss the assessment feedback, which she also included in her report. Borkar said that she supports Ray’s goals, adding that they are in alignment with the Board’s priorities. She also noted the importance of maintaining a strong and diverse team of executive leaders to achieving the agenda for the coming year. Borkar concluded by stating that the Board was pleased with the progress Ray had made toward his goals over the past year.

Following her summary, Borkar opened the item for discussion. Schueler thanked Ray for his thorough and informative report. Callahan expressed his
appreciation for Ray’s leadership. Borkar agreed and congratulated Ray on
another successful year. A motion was made and seconded to recommend to the
Board acceptance of the Board Chair’s report on the president’s annual
assessment. The motion carried.

c. President Emeritus Policy
Borkar said the draft policy provided in TAB D lays out a process and criteria for
granting the President Emeritus title. She then opened the item for discussion.
Kelly asked for clarification on the statement that the title of President Emeritus
may be held at or prior to the time of retirement. Colbert said the statement was
intended to associate conference of the title with leaving the presidency rather
than make it dependent on retirement. Kelly asked whether it also meant the
Board had to confer the title at or prior to the time of retirement and would be
unable to do so after the time of retirement. Colbert proposed amending the
statement to read, “The title of President Emeritus may be held upon retirement
or at or prior to the time of retirement.” Trustees agreed that it was important to
clarify that the title could be granted by the Board at any time. A motion was
made and seconded to recommend to the Board adoption of the resolution and
policy in Attachment 1, as amended. The motion carried.

d. Delegation of Authority
Borkar asked Colbert and Vice President for Finance and Administration Mike
Green to present this item. Colbert reminded trustees that the delegation of
authority is reviewed annually with the Board. She then described the policy
changes under consideration by Committees at the October 2018 meetings,
including changes to the President Emeritus Policy and the policy related to
reviewing and approving major capital projects. Any policy changes
recommended by the Committees would be incorporated before the Board
considers action on the Delegation of Authority. Colbert added that staff are also
proposing minor changes to the Delegation of Authority for clarity and
consistency with current statute. Next, Colbert added revisions to the language in
TAB E, Attachment 1, including changing the language in 3.g. to remove
“planning and implementation” and begin instead with “approval” and adding
approval of” to the beginning of 3.h.

During the discussion, Schueler asked whether 3.g. was a new provision. Green
said the Delegation of Authority had previously only explicitly addressed the
Board’s oversight of the sale and acquisition of real property over $5 million.
Colbert noted that the Board’s oversight for planning and implementation of
capital projects in excess of $5 million had been based that authority, but the
addition of 3.g. clarified the Board’s responsibility with regard to capital projects.
Kelly proposed clarifying that the activities reserved to the Board in item 2
included both the activities set forth in the Delegation of Authority and all other
matters related to Board governance. Colbert suggested striking “and” from 2.b.,
adding “and” at the end of 2.c., and adding 2.d. to read, “All other matters related
to Board governance.” Trustee Michele Longo Eder proposed simplifying the
language in 3.h. Colbert and Green suggested modifying it as, “Approval of an
increase to a Board-approved capital project budget where the total of all
increases exceed $2 million or fifteen percent (15%) of the budget, whichever is
greater.” Colbert added that this item would be included as part of the Finance &
Administration Committee’s discussion of a new Capital Projects Approval Policy.
In response to a question from Baldwin, Colbert confirmed that an increase to a
Board-approved capital project budget that did not meet that threshold would be delegated to the president.

Borkar summarized the changes to items 2, 3.g., and 3.h., noting that the language may be refined further by the Committees discussing each policy. A motion was made and seconded to recommend to the Board approval of the resolution amending the Delegation of Authority as provided in Attachment 1, as amended. The motion carried.

e. **2019 Executive & Audit Committee Work Plan and 2018 Board Assessment Results**
Borkar introduced this item and asked trustees to share their thoughts on the work completed last year, the survey results, and the plan for the coming year. As a starting point for the discussion, she proposed that the Committee continue the approach used this year into next year’s work plan. She also asked for any strategic topics related to the Committee charter that should be added to the work plan. During the discussion, Borkar asked about the most recent amendment to the Committee charter. Colbert reminded trustees that in October 2017, they added what is now the penultimate paragraph to formalize responsibilities assigned to the Committee. Colbert described the work plan as a road map, noting that it sets the course for the year but remains flexible to allow for the inclusion of emergent topics. Kelly and Borkar affirmed the importance of making adjustments as needed. Schueler noted the addition of the Presidential Compensation Adjustment to the 2018 work plan and asked whether it would be added to the 2019 work plan. Colbert said that in previous years the discussion of compensation was dependent on the outcome of the Presidential Assessment. Callahan supported the inclusion of the item on the work plan, adding that doing so would not presume any particular outcome. Eder expressed hesitation about scheduling the Annual Compliance & Ethics Program Report and General Counsel Annual Report for a telephonic meeting, where they were less likely to be heard by trustees not on the Committee. Colbert said the reports were originally scheduled for the October 2018 meeting, but in working with the chair and vice chair to finalize the agenda, they were moved to a telephonic meeting to manage multiple demands on meeting time. A motion was made and seconded to approve the 2019 Executive & Audit Committee work plan. The motion carried.

f. **Board Policy Review**
Borkar asked Colbert to provide an overview of the policies proposed for repeal in TAB G, Attachment 1. Colbert said the Board Office worked with policy staff in the Office of University Compliance, the Office of General Counsel, and a number of other partner offices to review administrative rules, policies, and internal management directives of the State Board of Higher Education transferred to the university when the transition in governance occurred in 2014. In October 2017, the Board repealed a number of policies and instructed the Board Secretary to continue to review policies and present an additional increment of board-related policies for repeal. Colbert said many of the policies had been superseded by OSU Board of Trustees policies, were outdated, or were no longer applicable. Callahan asked about proceeding with the policy changes while in bargaining with the new faculty union, and General Counsel Becca Gose said staff had concluded that the proposed policies were not likely mandatory subjects of bargaining and were comfortable as a legal matter with
the proposed action by the Board. She added that the university had provided notice to the union of the proposed action and the union has not demanded to bargain these policies. A motion was made and seconded to recommend to the Board approval of the resolution as provided in Attachment 1. The motion carried.

4. Discussion Items
   a. Needs Assessment for At-Large Position Vacancy

Borkar introduced the topic by reminding trustees that with the end of Laura Naughtes' term on July 1, 2019, there will be a vacancy on the Board. She then asked Colbert to take the Committee through the assessment. Colbert said the Board adopted a policy in 2015 to guide the process for identifying potential candidates to recommend to the Governor for at-large positions. The process begins with an initial review of the current board composition. Colbert added that the staff and student trustee positions would also be vacant July 1, 2019, which could change the demographics presented in the assessment. Colbert said the Committee then conducts a needs assessment, drawing from the trustee self-assessment, to determine how well the current composition provides the balance in perspectives, backgrounds, experience, and skills that the Board is seeking.

Next, Colbert presented the results of the needs assessment. She noted that the Board had expressed interest in continuing to look for greater diversity with regard to gender and race and ethnicity. With regard to geographic location, Colbert reported that there is presently a good distribution of trustees across regions of the state; however, there will no longer be representation in southern Oregon. Colbert said that the current composition includes trustees with a good knowledge of Oregon State and with experience across a broad range of professional fields. She added that as the Board thinks about supporting the next iteration of the university’s strategic plan, it may be helpful to seek representation in the areas of agriculture and arts and entertainment. She reported that trustees bring a wide range of skills and competencies related to Board responsibilities, and with the unique and complementary skills of each trustee, there are no current gaps. Colbert concluded her presentation by stating that the current Board represents a broad range of perspectives, backgrounds, experiences, and skills, adding that it will be important to continue to foster diversity and seek expertise across a range of skills and competencies.

In the discussion that followed, Schueler added the need to include age as a component of diversity that should be expanded. Borkar agreed noting the importance of incorporating a range of generational perspectives as the Board thinks about the future of higher education. Trustee Mike Bailey expressed support for also seeking new trustees with connections to K-12 education. Trustee Angel Mandujano-Guevara affirmed this and added that continuing to seek knowledge of postsecondary education was also important. He also indicated support for continuing to diversify across all categories, particularly with regard to gender, race and ethnicity, and age. Callahan also noted the importance of succession planning and considering the future leadership potential of new trustees. Colbert thanked trustees for their thoughtful discussion and added that the input will be used to inform the next steps in the process. She also encouraged trustees to share recommendations of potential trustees. Borkar stressed the important role of each trustee in contributing to development of the

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trustee pipeline and encouraged trustees to cultivate relationships and share potential names with Colbert.

5. Adjournment
With no further business proposed, Chair Borkar adjourned the meeting at 9:22 a.m.

Respectfully submitted,

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Jennifer M. Almquist
Assistant Board Secretary